

TENNESSEE HOUSING DEVELOPMENT AGENCY
STATEMENT OF CASH FLOWS
(Expressed in Thousands)

	For the Six Months Ended December 31, 2003 (Unaudited)	For the Six Months Ended December 31, 2002 (Unaudited)	For the Year Ended June 30, 2003	For the Year Ended June 30, 2002
Cash flows from operating activities:				
Receipts from customers	\$ 203,436	\$ 170,423	\$ 371,204	\$ 293,741
Receipts from federal government	940	3,804	8,590	8,457
Other miscellaneous receipts	1,554	1,456	2,188	1,454
Acquisition of mortgage loans	(160,838)	(88,241)	(158,910)	(224,842)
Payments to service mortgages	(2,534)	(2,775)	(5,447)	(5,424)
Payments to suppliers	(2,303)	(1,471)	(4,883)	(3,429)
Payments to federal government	(95)	(1,643)	(1,196)	(3,941)
Payments to local government	-	-	-	(2,441)
Payments to employees	(4,749)	(4,326)	(8,341)	(7,481)
Net cash provided by operating activities	35,411	77,227	203,205	56,094
Cash flows from non-capital financing activities:				
Operating grants received	72,618	65,389	138,195	124,656
Payment to primary government		(35,368)	(35,368)	-
Negative cash balance implicitly financed	1,080	1,791	(1,711)	26
Proceeds from sale of bonds	329,152	84,150	134,150	209,580
Proceeds from issuance of notes	279,820	11,385	76,730	67,985
Operating grants paid	(74,875)	(71,731)	(145,746)	(138,431)
Call premium paid	(3,053)	-	-	(1,929)
Advance on bond sale	-	-	600	850
Cost of issuance paid	(2,501)	(735)	(1,191)	(1,939)
Principal payments	(626,164)	(159,161)	(284,366)	(326,260)
Interest paid	(53,007)	(48,932)	(98,050)	(98,057)
Net cash used by non-capital financing activities	(76,930)	(153,212)	(216,757)	(163,519)
Cash flows from investing activities:				
Proceeds from sales and maturities of investments	252,164	333,896	754,576	472,674
Purchases of investments	(182,953)	(327,653)	(670,993)	(490,207)
Investment interest received	14,082	14,499	31,471	31,647
Net cash provided by investing activities	83,293	20,742	115,054	14,114
Net increase (decrease) in cash and cash equivalents	41,774	(55,243)	101,502	(93,311)
Cash and cash equivalents, July 1	366,383	264,881	264,881	358,192
Cash and cash equivalents, End of period	\$ 408,157	\$ 209,638	\$ 366,383	\$ 264,881

(continued)

TENNESSEE HOUSING DEVELOPMENT AGENCY
STATEMENT OF CASH FLOWS (cont.)
(Expressed in Thousands)

	For the Six Months Ended December 31, 2003 (Unaudited)	For the Six Months Ended December 31, 2002 (Unaudited)	For the Year Ended June 30, 2003	For the Year Ended June 30, 2002
Reconciliation of operating income to net cash provided by operating activities:				
Operating income	\$ (415)	\$ 30,209	\$ 42,371	\$ 41,191
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation and amortization	297	385	772	830
Changes in assets and liabilities:				
(Increase) in accounts receivable	221	(1,975)	(3,692)	(3,472)
(Increase) in mortgage interest receivable	(238)	(673)	(84)	(299)
(Increase) decrease in first mortgage loans receivable	(4,261)	31,003	110,955	(36,486)
(Increase) in due from federal government	(3,753)	(1,201)	(279)	-
(Increase) decrease in deferred charges	525	(264)	317	152
Decrease in other receivables	3	-	(1)	3
Increase (decrease) in accounts payable	(1,125)	75	1,132	(337)
Increase (decrease) in accrued payroll / compensated absences	(347)	(198)	128	15
Increase (decrease) in due to primary government	-	(53)	(53)	4
(Decrease) in deferred revenue	(43)	(332)	(329)	(137)
(Decrease) in arbitrage rebate liability	(95)	(1,643)	(1,658)	(2,652)
Investment income included as operating revenue	1,015	(30,055)	(48,538)	(45,131)
Interest expense included as operating expense	43,627	51,949	102,164	102,413
Total adjustments	35,826	47,018	160,834	14,903
Net cash provided by operating activities	\$ 35,411	\$ 77,227	\$ 203,205	\$ 56,094
Noncash investing, capital, and financing activities:				
Accretion of deep discount bonds	\$ 1,090	\$ 2,052	\$ 4,095	\$ 4,111
Increase in fair value of investments	(11,642)	15,779	18,755	22,653
Total noncash investing, capital, and financing activities	\$ (10,552)	\$ 17,831	\$ 22,850	\$ 26,764

The Notes to the Financial Statements are an integral part of this statement.